



**North Carolina Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services**

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Michael F. Easley, Governor
Carmen Hooker Odom, Secretary

Michael Moseley, Director

January 19, 2007

MEMORANDUM

TO: LME Directors
LME Finance Officers

FROM: Wanda Mitchell
Budget and Finance Team

RE: SFY 06 Year-End Non-UCR Settlement Process

The purpose of this memo is to address the process for settling Non-UCR State appropriations paid at year end for the month of June 2006 and for reporting/processing all other June 2006 eligible expenditures for reimbursement. Local Management Entities (LMEs) were instructed in the DMHDDSAS memo dated June 1, 2006 to submit a Financial Status Report (FSR) for June reflecting their estimated expenditures for the month. Use of the estimated FSR was to ensure that a full month's payment of Division State funds was paid to LMEs for the month of June 2006. Once actual expenditures have been identified, LMEs are to submit final certified FSRs for the month of June 2006. The following paragraphs provide instructions for completing and submitting the certified Final FSRs.

In an attempt to simplify the settlement, LMEs will be required to submit three separate final FSRs certified for the month of June to their Regional Accountant for review and approval. The three separate submissions are (1) a FSR for State Appropriations, (2) a FSR for Mental Health Trust Funds (MHTF, RCC 1138) and (3) a FSR for Federal funds. Once the Regional Accountant has reviewed and approved each of the three FSRs, the Regional Accountant will notify the LME that their review has been completed and confirm the refund amount due to/from the State. Upon contact and notification by the Regional Accountant the LME is to submit any refund to the State. Please wait for the Regional Accountant's notification before you process any refund payments. Once the payment is prepared it should be mailed to the DHHS Controller's Office, Accounts Receivable, Attn: Ann May, MSC 2025, Raleigh, NC, 27699-2025.

In order to settle the SFY 06 final Non-UCR payment, three final FSRs, one for each funding category must be submitted:

1. The first FSR will be for all non-UCR State funds (excluding MHTF which is a separate settlement FSR). Each individual non-UCR allocation is to be reported separately on the FSR. The sum of the individual allocation settlement amounts will be netted at the LME level, with only the overall net amount being considered for settlement. LMEs will be required to refund any net amount owed to the Division. In cases where the Division owes an LME an additional amount, the Division will have to identify the resources to make such a payment and secure

budget revision approval through DHHS and the Office of State Budget and Management to budget resources for such a prior year payment. It is the Division's intent to fully settle any funds we owe Area Programs/LMEs, however, final approval to do so is subject to fund availability and budget revision approval as noted.

2. The second FSR will be for non-UCR funds allocated from the MHTF (excluding State funds which is a separate settlement FSR). Each individual non-UCR allocation is to be reported separately on the FSR. The sum of the individual allocation settlement amounts will be netted at the LME level, with only the overall net amount being considered for settlement. LMEs will be required to refund any amount owed to the Division. In cases where the Division owes LMEs an amount, the Division will have to identify the resources to make such a payment and secure budget revision approval through DHHS and the Office of State Budget and Management to budget resources for such a prior year payment. It is the Division's intent to fully settle any funds we owe LMEs, however, final approval to do so is subject to fund availability and budget revision approval as noted.
3. The third FSR will be for non-UCR Federal funds. Each individual grant is required to be settled separately. Netting is allowed within Federal funding sources but not permitted between Federal funding sources. In the case of Federal funds, LMEs will refund any payment due to the Division and, in cases where the Division owes Federal funds, the Division will attempt to rebudget Federal funds, generally MHBG and SAPTBG, in the current year for payment to LMEs as a prior year payment. Budgeting of additional Federal funds to settle payments the Division owes to LMEs is subject to approval by DHHS and the Office of State Budget and Management. It is the Division's intent to fully settle any funds we owe LMEs, however, final approval to do so is subject to fund availability and budget revision approval as noted.

The timeframe for completion of the SFY 06 settlement is March 2, 2007. LMEs should submit a separate FSR, as instructed above, for settling State funds, Federal funds and MHTF to their Regional Accountant by this date. If an LME is due funds from the Division, the Division will make all efforts to issue payment, pending fund availability, as quickly as possible. As indicated in items 1 through 3 above, settlement payments made by the Division must be approved by budget revisions through DHHS and the Office of State Budget and Management and is subject to fund availability within the current state fiscal year. Notification of settlement payments which the Division makes will be via allocation letters labeled as prior year payment referencing SFY 06 settlement.

If you have any questions, please contact me at 919-733-7013 or Jay Dixon with the DHHS Controller's Office at 919-855-3736.

cc: Secretary Carmen Hooker Odom
Allen Dobson, MD
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